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OFFICE OF MANAGEMENT AND BUDGET
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BULLETIN NO. 83-7

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Increased Pay Costs for Fiscal Year 1983

1. Purpose. This Bulletin provides policies and procedures for absorbing the cost of the October 1982 pay raise and related costs, including the employer's portion of the Medicare Hospital Insurance payment (HI tax), preparing the analysis of these increased costs, and requesting related supplemental appropriations for fiscal year 1983.

2. Authority.

- P.L. 97-276, Resolution for Continuing Appropriations for 1983, provides continuing appropriations for activities of the Federal Government through December 17, 1982. Section 109 of that law provides for a 4% cap on wage board pay increases during fiscal year 1983.
- Executive Order No. 12387 dated October 8, 1982, provides for a 4% pay cap on civilian and military pay increases during fiscal year 1983.
- Section 278(a) of P.L. 97-248, the Tax Equity and Fiscal Responsibility Act of 1982 requires application of the Medicare Hospital Insurance tax to Federal employment.

3. Background. Office of Management and Budget (OMB) Circular No. A-11 (sections 13.3(b) and 32.6(b)) instructed agencies to include amounts for the October 1982 pay raise in their 1983 and 1984 budget estimates, if the new pay rates were known at the time of submission. If the new pay rates were not known at the time of submission, agencies were instructed to include in their budget schedules the additional 1983 and 1984 amounts required for the October 1982 pay raise when they are informed by OMB of their 1984 budget allowances.

Under P.L. 97-248, Federal agencies are required to pay the employer's share of the Medicare Hospital Insurance tax for Federal employees not currently under social security, effective beginning on January 1, 1983. Amounts for the employer's share of the HI tax for 1983 were not included in agency budget estimates for 1983.

The information submitted pursuant to this Bulletin will provide the basis for requests to the Congress in the 1984 Budget for the 1983 pay supplementals to cover these costs.

4. Coverage. These instructions apply to the fiscal year 1983 cost of the 4% October 1982 pay raise and related costs, including the cost of the employer's share of the HI tax.

5. Policies.

a. Calculation of Increased Pay Costs.

- Since the pay increase is effective with the first pay period beginning on or after October 1, 1982 and the pay periods vary from agency to agency, computations shall be based on the actual number of workdays in fiscal year 1983 that are subject to the pay increase. Agencies will include in their submissions to OMB information showing their assumptions on the number of workdays subject to the raise and providing calculations showing how these assumptions were used in preparing the estimates.
- No pay increase should be included for employees who are already paid the maximum under law. The number of such employees, and their related salary costs, will be shown in the agency submissions.
- In some cases, employees will receive effective pay raises less than the full raise because the full raise would increase their salaries to levels above the maximum under law. The agency submissions will contain a list of: (a) each of the base salaries of such employees; (b) the number of employees in each such base salary category and the total number of employees in all such categories; (c) the allowable pay increment to reach the maximum level for each of these base salary categories; and (d) the total allowable pay increment in all such categories.
- No pay increase shall be included to cover costs of unemployment compensation (OMB Bulletin No. 81-18).
- The use of current average salary levels above those reflected in the President's 1983 Budget must be explicitly justified.
- For each indirect pay cost increase (such as retirement benefits and other Government payments that are based on employee salaries), agencies shall specify separately the relationship of that increase to increases in direct pay costs and provide the calculations that support estimated indirect cost increases.
- Since the HI tax is based on wages (as defined by 26 U.S.C. 3121(a)) paid to Federal employees on or after January 1, 1983, computations shall be based on the amount

of these payments that are subject to the HI tax. Specifically, the employer's share of the HI tax should be estimated as 1.3% of wages to be paid in fiscal year 1983 up to \$35,700. Agencies will include in their submissions information showing their assumptions on the number of workdays beginning January 1, 1983 subject to the tax and providing calculations showing how the estimate of tax was computed.

- Agencies shall compute the amount of the 1983 pay increase costs specified above on the basis of the latest approved 1983 program and FTE employment levels. Pay increases connected with added 1983 FTE employment levels requested in the 1984 budget process should be treated as part of the program supplemental request, rather than as part of this pay raise supplemental request.
- Agencies will base their computations on the fiscal year 1983 program and FTE employment levels as they will be reflected in the 1983 (current year) column of the 1984 Budget. As above, pay increases connected with additional 1983 employment levels should be treated as part of the supplemental request for the program, should the program supplemental be approved.

b. Absorption of Increased Pay Costs.

- (1) Generally, agencies are expected to absorb the maximum amount possible of the increased pay costs, including the employer's portion of the Medicare Hospital Insurance. Because the First Concurrent Budget Resolution for fiscal year 1983 assumes that 50% of the pay raise will be absorbed, proposed absorption of less than this rate will require specific justification.
- (2) Agencies are expected to absorb these increased pay costs as follows:
 - (a) Use all available resources within the account to cover these increased pay costs. This shall include savings and revenues resulting from:
 - Lower than previously anticipated personnel levels (including savings in personnel compensation, benefits, and related expenses such as travel, supplies, equipment, etc.);
 - Continuing efforts to minimize and reduce other operating costs, e.g., in the use of consulting and related services or in the production of periodicals, pamphlets, and audiovisual products;
 - Economies achieved through cost reduction, position management, and other management improvement programs as set forth in OMB Circulars No. A-64 and A-117;

- Savings that may result from lower than expected prices for purchases financed from the account; and
- Any other unanticipated amounts that are available in the account.

(b) Use existing transfer authority when resources within an account are insufficient to meet costs.

(c) Seek additional transfer authority between appropriation accounts within the same agency.

c. Application of Available Resources. Agencies shall apply available resources in the following order of priority:

(1) To program increases for uncontrollable items that qualify for deficiency apportionment, when the total amount of these program increases can be absorbed. When the total amount of these program increases cannot be absorbed, a separate program supplemental should be requested.

(2) To the various types of increased pay costs (e.g., civilian statutory pay systems, military pay systems, wage board, administrative action) in the following order of priority:

(a) Any type of increased reimbursements to other accounts due to increased pay costs (including payments to revolving funds).

(b) Any type of increased pay cost that can be absorbed in full.

(c) Any type of increased pay cost that cannot be absorbed in full.

6. Action Requirements.

a. By November 29, 1982, each agency shall submit to OMB the following:

(1) Analysis of Increased Pay Costs. The analysis will be prepared in accordance with the instructions in Attachment A and submitted in the format of the related Exhibit.

(2) Information Sheets. Information sheets showing the methods and numbers used to make the calculations will accompany the analysis of increased pay costs. The calculation of increased pay costs will be prepared in accordance with paragraph 5.a. of this Bulletin. An estimate of the Medicare Hospital Insurance costs will also be included.

(3) Narrative Explanation. Increases in pay costs that are disproportionately high in relation to the base for any account or the use in the calculations of average salary levels above those reflected in the President's 1983 Budget must be fully justified in a narrative explanation accompanying the analysis. The explanation will include information on the programmatic effect and the effect on FTE employment resulting from the absorption policy. In those cases where agencies believe that they are unable to achieve 50% or more absorption of pay costs, including the cost of the employer's share of the HI tax, the narrative will include a specific justification.

(4) Proposed Appropriation Language. Guidelines to be used in drafting proposed appropriation language are presented in Attachment B. Proposed appropriation language for funds that are to be transferred to multiple and no-year accounts should also extend the availability of the amounts consistent with the availability of the accounts to which they are to be transferred.

b. Upon approval of a pay supplemental, submit the following information to OMB:

(1) Apportionment/Reapportionment Requests.

(a) Each agency that requests apportionment or reapportionment to reflect increased pay costs (including HI tax) for fiscal year 1983 shall submit its request in accordance with section 43.2 of OMB Circular No. A-34. Upon enactment of appropriations, agency heads shall submit reapportionment requests to apportion any previously deferred funds (line 10 of S.F. 132) or unapportioned balances of revolving funds (line 11 of S.F. 132) that may now be needed to meet increased pay costs.

Deficiency apportionments under a continuing resolution are not required unless the account involved would actually run short of funding while the resolution is in effect. In such a case, the deficiency is the amount needed for pay only during the period of the resolution.

(b) Agency heads requesting "deficiency" apportionments for pay supplementals shall also submit three copies of the agency head's statement of necessity, as required by 31 U.S.C. 665(e)(1). The agency head's statement shall be worded as follows:

"I hereby determine that it is necessary to request apportionment (or reapportionment) of the appropriation '(appropriation title)' on a basis that indicates the necessity for a supplemental estimate of appropriations for pay increases in accordance with section 105 of P.L. 97-276."

(Note: When a group of such requests is transmitted at one time, a single statement may be used for all requests.)

All reapportionment requests for increased pay costs and the statements of necessity shall be submitted to OMB within 10 days of final OMB approval of any supplemental appropriations for increased costs of pay to be requested in the 1984 Budget.

(2) Deferral and Rescission Proposals. If an agency is seeking a pay supplemental to be derived by transfer between appropriation accounts that involves:

(a) no withholding or delaying of the availability of funds, no deferral report is required. (In these cases, available resources should be apportioned in the losing accounts so that the funds to be transferred are available in the last half of the fiscal year.)

(b) withholding or delaying the availability of funds (in order to preserve the funds for transfer), a deferral report (see OMB Bulletin No. 75-15) is required and should be submitted, as appropriate, with the supplemental request.

(c) funds that cannot be used in the losing account, regardless of whether the Congress accepts the transfer request, a rescission proposal is to be submitted once a definite amount of excess funds is known.

7. OMB Responsibilities. The Office of Management and Budget is responsible for reviewing information submitted by the agency and for final preparation of the pay supplementals that the President transmits to the Congress.

8. Information Contact. For further information, contact the OMB representative responsible for reviewing the agency's budget estimates.

9. Sunset Date. This Bulletin will expire as soon as action is completed.



David A. Stockman
Director

Attachments

ATTACHMENT A
Bulletin No. 83-7

Instructions for Preparing the
Analysis of Increased Pay Costs for
Fiscal Year 1983

Each agency shall submit by November 29, 1982, an analysis of increased pay costs for fiscal year 1983 resulting from the pay raises specified in this Bulletin and related costs, including the required payment of the employer's portion of the Medicare Hospital Insurance tax (HI tax). An original and two copies of this analysis shall be prepared for fiscal year 1983 in the format illustrated by the Exhibit.

General Instructions

Treatment of Multiple Types of Pay Increases.

Where more than one type of pay increase is involved (i.e., civilian statutory pay systems, military pay systems, wage board, administrative action) the amounts applicable to each will be reported separately in columns 2 through 4 of each analysis. In columns 5 through 8, the amounts for each account will be reported in total (i.e., without separately identifying the amount associated with each type of pay increase or allocation account).

Treatment of Advances and Reimbursements.

Advances or reimbursements between Government accounts should be treated in the following way:

- The agency that is performing the work shall include the related increased pay costs (including the cost of the HI tax) in columns 2 and 3 of their analysis -- since these costs relate to the employees of this agency. These costs shall be included in column 5, and treated as part of the performing agency's absorption. (See instructions for entries under column 5.)
- The ordering agency shall consider these increased pay costs as a part of ordinary expenses and shall not include them in columns 2 and 3 of their analysis. The ordering agency shall absorb, through administrative actions, payments to other accounts or agencies for the increased pay costs to the maximum extent possible. The ordering agency shall report the portion of the payment for increased pay costs that cannot be absorbed through administrative action in column 4 of the analysis. (See instructions for entries under column 4.)

Treatment of Allocation Accounts.

For purposes of this analysis, amounts for allocation accounts (transfer appropriation accounts) shall be incorporated in the amounts shown for the parent account, rather than in the amounts

shown for the receiving agency. Each agency that receives an allocation shall furnish to the agency responsible for the parent account that data necessary to prepare the analysis (including justifications) for submission to OMB by November 22, 1982, unless other arrangements have been made by the agencies concerned. Allocation accounts shall be considered a source of transfer only by the parent agency.

Format of the Analysis

The analysis will be prepared on 8 1/2" x 14" paper, as described below:

Column 1. Organizational unit and account title. List each bureau or organizational unit to which separate appropriations or funds are available. List, under the organizational unit, the title of each account (other than allocation accounts) out of which any increased pay costs, including the HI tax, are directly paid. These shall include revolving and management funds (excluding consolidated working funds) and trust funds. Account titles will be listed in the order in which they appear in the Budget. At least one line should be left between account titles.

Increased pay costs under civilian statutory pay systems will be entered without further identification. Other types of pay increases (wage board, administrative action, and military pay systems) will be identified in the stub column under each account where appropriate.

Column 2. Increase in direct pay and other related costs of this agency -- direct pay. Enter the direct cost of pay raises for employees paid from the reporting account, whether or not the costs are reimbursable. Agencies should be careful to include any additional payments that are normally associated with object class 11, such as overtime, Sunday premium pay, etc. If the increased pay cost is disproportionately high in relation to the base for any account, the reasons should be fully set forth in a narrative explanation.

Do not report in this column advances or reimbursements to other accounts for work or services. (To the extent they cannot be absorbed through currently authorized agency administrative action, they are to be reported in column 4.)

Column 3. Increase in direct pay and other related costs of this agency -- related costs. For each listed account, report the added costs that are indirectly related to the pay raise, whether or not the costs are reimbursable. For this purpose, the related costs include such items as Government retirement contributions, employer FICA taxes, Government contributions to employee life insurance premiums, payment of the employer's share of the Medicare Hospital Insurance tax, and other payments that are based on employees' salaries. Other Federal workers' compensation (billed from prior year charges), should be excluded from the calculations of added indirect costs.

Do not report in this column advances or reimbursements paid to other accounts for work or services. (To the extent they cannot be absorbed through currently authorized agency administrative action, they are to be reported in column 4.)

Column 4. Amounts to be paid to other accounts that are not absorbed administratively. Enter the portion of the increased pay costs to be paid as advances and reimbursements to other accounts that cannot be absorbed through administrative action. In most cases this column should be blank, since payments to other accounts will be considered for absorption ahead of the increased pay cost of the reporting account.

Column 5. Net absorption -- possible by administrative action. Report, in total for each account, the portion of the increases shown in columns 2 and 3 that can be absorbed through currently authorized agency administrative action. Following the policies set forth in section 5.b. of this Bulletin, this will include absorptions through existing transfer authority from other accounts and amounts to be covered by reimbursements from other accounts.

Column 6. Net absorption -- requiring Congressional action. Report, in total for each account, the portion of the increased costs in columns 2, 3, and 4 that could be absorbed if the Congress provides new transfer authority to transfer funds from one account to another. Proposals to increase the limitation on administrative expenses are not to be included in this column; rather they should be included in column 8.

Column 7. Net absorption -- total. Total of columns 5 and 6.

Column 8. Additional appropriation required. This column should equal the sum of columns 2, 3, and 4 minus column 7, and will represent the additional appropriations and increases in limitations on administrative expenses considered necessary for the account as a result of the pay raises reported. Increases in limitations on administrative expenses are to be identified using a footnote.

The final entry in each table will be labeled "Total, all pay increases" and will show the total amounts for the agency for each of the columns 2 through 8.

If Congressional action is not completed, a footnote to the name of the agency should be provided explaining the basis for the request.

The Analysis shall be accompanied by the information sheets, narrative explanation, and appropriation language as required in sections 5 and 6 of this Bulletin.

NOTES: a. Amounts are in dollars.
 b. Actual size of this form
 is 8-1/2 x 14 inches.

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ANALYSIS OF 1983 INCREASED PAY COSTS

Department of Government 1/

Organizational unit and account title (1)	Increase in direct pay and other related costs of this agency			Amounts to be paid to other accounts that are not absorbed administratively	Possible by admin- istrative action	Net Absorption Requiring Congressional Action	Total (7)	Additional appropri- ation required (8)
	Direct pay (2)	Related costs (3)	(4)					
Office of the Secretary:								
Salaries and expenses.....	197,420	18,700	.. .)	79,700 2/	170,870	250,570	0	
Wage board.....	31,500	2,950	.. .)					
Bureau of Economic Development:								
Salaries and expenses.....	949,160	89,220	.. .)	723,500		723,500	314,880 3/	
Inspection Services.....	176,000	16,540	21,050		213,590	213,590		
Development Trust Fund.....	1,240,000	111,600	.. .	21,600	1,330,000	1,351,600	0	
Government Corporation:								
ABC Revolving Fund (adm. action).....	1,065,000	100,110	.. .	865,110	300,000	1,165,110	0	
Total:								
Civ. stat. pay systems.....	9,336,400	872,660	42,310)					
Wage board.....	142,500	13,250	.. .)					
Adm. action.....	1,065,000	100,110	.. .)					
Total, all pay increases.....	10,543,900	986,020	42,310	5,246,660	5,679,290	10,925,950	646,280	

1/ The 1983 appropriations have not been enacted. The basis for these estimates is [specify].

2/ Includes \$15,000 to be transferred from "Salaries and Expenses, Bureau of Safety" under P.L. [specify]. (Cite existing authority)

3/ This amount pertains to the increase in the limitation on administrative expenses for this account.

ATTACHMENT B
Bulletin No. 83-7

Guidelines for Drafting Proposed Appropriation Language
for Pay Supplements for Fiscal Year 1983

Indentation, punctuation, and capitalization will conform with the presentation used in Part III, Section II of the 1983 Budget Appendix (pp. III-41-42).

Organization titles and breaks, including the appropriation account title will generally conform to the fiscal year 1983 appropriation bills as enacted.

All new items not included in the 1983 appropriation bills (e.g., chapter, organizations, accounts, or appropriation language phrases) will be underscored.

Sample formats illustrating the above guidelines follow:

DEPARTMENT OF GOVERNMENT

Office of the Secretary: "Salaries and expenses", \$170,000;

Bureau of Economic Development:

"Salaries and expenses", \$314,000;

"Inspection services", \$213,000 to remain available until
March 30, 1984;

Development Trust Fund: "Limitation on general operating expenses" (increase of \$1,330,000 in the limitation on general operating expenses).